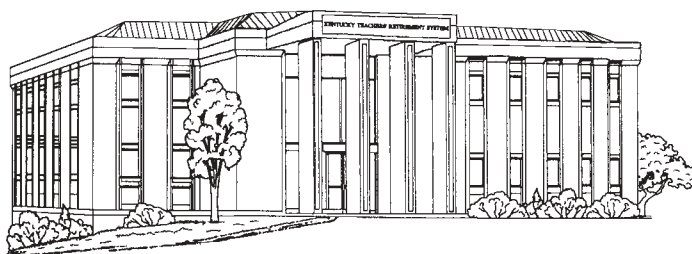


KTRS NEWSLETTER

TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY

ACTIVE MEMBER EDITION
April/May 2003



ELECTION

KTRS Board of Trustees

The Kentucky Teachers' Retirement System is governed by a nine-member Board of Trustees. Two members are ex-officio members, the Chief State School Officer and the State Treasurer. The remaining seven trustees are elected by the retired and active membership. Elections are held in May of each year to fill either one or two positions on the Board. Positions are held for four-year terms and the elections are staggered. This May the membership will be electing an active teacher trustee and a lay trustee.

The candidates for the lay trustee position are Julian M. Carroll from Frankfort and Eleanor Jordan from Louisville. The candidates for active trustee position are Terry J. Poindexter from Covington and Ruth Ann Sweazy from Taylorsville.

During the early part of May, KTRS will mail a ballot with information about the candidates to each retired and active member. The ballot itself has been simplified to save costs. Retired members will receive a yellow ballot and active members will receive a blue ballot. Just select your candidates, tear along the perforation, and drop it in the mail. Postage is prepaid. You may return your ballot any time during May, but no later than May 31, 2003. The Chief State School Officer is responsible for counting the ballots.

All members are urged to review the qualifications of each candidate and cast their ballot for the candidate in each category who they feel has the best qualifications to be an effective member of the Board of Trustees. The results of the election will be announced in the next publication of the 2003 KTRS newsletter.

Are you a new KTRS member? Want to know more about your retirement plan? Attend a Mid-Career Planning Workshop! See page A-5!

2003 General Assembly Comes to a Close

The regular session of the 2003 General Assembly has now come to a close, adjourning sine die on March 25th. During this session, two bills were enacted with a direct impact on the Kentucky Teachers' Retirement System and its members who are employed by local school districts.

The first of these, House Bill 269, provides a return-to-work program for KTRS retirees that will be administered almost identically to the former critical shortage program. The only significant difference is that retirees returning to work will be contributing to a second defined benefit account similar to their original KTRS account rather than to a defined contribution account similar to a 401(k) plan. Under this "new" critical shortage program, just as under the old critical shortage program, retired members may be re-employed in KTRS-covered positions and continue to draw their full retirement allowance without limitation on the amount of compensation that they earn as long as they observe proper breaks in service from retirement to re-employment and as long as each position they are filling is determined by the Department of Education to be a critical shortage position. As with the old critical shortage program, a school district may employ a number of KTRS retirees equal to one percent (1%) of the total KTRS membership employed by the district, or two KTRS retirees per district, whichever number is greater. This new critical shortage provision is currently effective through June 30, 2005. *(Note: This new critical shortage program is in addition and optional to the return-to-work membership provisions instituted by the 2002 Legislative Session. Please see the related article in this newsletter).*

House Bill 269 also confirmed full funding for the Cost-of-Living Adjustments (COLAs) that were approved during the 2002 General Assembly as set out in House Bill 637. As you may recall, the combined standard and ad hoc COLAs that became effective on July 1, 2002, for all members who had been retired for at least one year totaled 2.9%. The combined

MR. ROBERT M. CONLEY

Concludes Fifteen Years as KTRS Board Member

Mr. Robert M. Conley will conclude a fifteen-year term as a “lay member” on the KTRS Board of Trustees on June 30, 2003. Mr. Conley is a valued member of the Board who has worked at improving the retired teacher health insurance program and has been intimately involved with the System’s investment activities. Since 1991, Mr. Conley has served as Vice Chairman of the Investment Committee.



When Mr. Conley joined the Board, the System’s assets approximated \$2.84 billion. By the end of the most recently concluded fiscal year, June 30, 2002, the System’s assets stood at about \$11.8 billion. For the eleven years that Mr. Conley has served on the Investment Committee, the annualized total return for all investments was 9.3%. The annualized stock return for the period was 12.1%, while the annualized total return for bonds was 8.1%. In each case, the System out-performed its benchmark.

Mr. Conley has spent most of his life in Paintsville where during a career at the Bank of Paintsville he rose to the position of Chief Executive Officer. In recent years, he has worked as a finance officer and Budget Director for Johnson County and for the city of Paintsville. Through his active

membership in the Methodist Church, Mr. Conley serves on the Board of Directors of Wesley Village, a retirement community at Wilmore, Kentucky.

Mr. Conley attended Berea College and graduated from Eastern Kentucky University. He also completed graduate work at the Kentucky School of Banking and School of Banking of the South at Louisiana State University. During World War II, Mr. Conley saw active duty in the European theater.

Mr. Conley has been active with various charity groups that include Kiwanis, 4-H Clubs Council, Red Cross, and the Chamber of Commerce. Mr. Conley is married to Mrs. Barbara Allen Conley, who is a retired teacher and guidance counselor with the Paintsville City Schools.

2003 GENERAL ASSEMBLY *continued*...

standard and ad hoc COLAs that will become effective on July 1, 2003, for all members who have been retired for at least one year will total 3.0%. Members who have been retired for less than one year on the date a COLA becomes effective will receive a pro rata COLA increase in proportion to the number of months they have been retired before the effective COLA date.

In addition to the renewed critical shortage program and confirmation of full funding for COLAs provided in House Bill 269, the other significant piece of legislation enacted by the General Assembly with retirement system implications is House Bill 224 with its “bad weather” provisions. This legislation acknowledges the unusual severity of last winter’s weather and the resulting high number of missed school days. It provides that KTRS members employed by school districts that add instructional time to the length of the class day to make up for missed days during the 2002-03 school year may have this time accredited with the retirement system to ensure that they receive a full year of service credit. A related piece of legislation, Senate Bill 132, provides that the Commissioner of the Department of Education shall provide five disaster days for all school districts that missed at least ten days due to bad weather during the 2002-03 school year. This legislation does not allow service credit in the retirement

system and requires teachers to report to work during the five disaster days.

KTRS staff will be working with the administrative staff in the local school districts to help implement the two bills that were enacted.

Reciprocity Member Alert

Any member that has service in both Teachers’ Retirement and one of the state administered retirement systems must file a retirement application with a coordinating retirement date if choosing a reciprocity retirement. You must complete and file paper work (applications and insurance forms) for both retirement systems before benefits begin from any system. Your insurance will not start until one month after you are processed in both payroll systems. A reciprocity member is a member who has established membership and maintained active retirement accounts in more than one of the state retirement systems. The law allows members to determine their eligibility for retirement benefits by combining service credit in all systems. Each system will calculate your annuity separately. If you have any questions concerning a reciprocity retirement, please contact the KTRS office.



Ben Zimmerman Completes His Term

Mr. Ben Zimmerman will be leaving the KTRS Board of Trustees on June 30, 2003. He was appointed to the Board to fill the unexpired term of Ms. Judith Gambill. We appreciate his service on the Board of Trustees. His contributions along with his concern for the welfare of the Retirement System are valued. We thank him and wish him well.

Nominating Process for KTRS Board of Trustees

Several members have inquired as to how candidates for the KTRS Board of Trustees are selected. The nominating and election process is defined in KRS 161.250-260. Twelve active members [one from each Kentucky Education Association (KEA) district] and one retired member representing all retired members compose a thirteen-member nominating committee that is chaired by the President of KEA. In the spring, this group nominates two individuals for each Board position that has an expiring term. This nominating process applies to seven of the nine Trustee positions. The other two Trustees are ex-officio members.

The two ex-officio members are the State Treasurer and the Chief State School Officer. Two of the elected Trustees are "lay trustees". They are neither active nor retired members of the System. Another elected Trustee is a retired member of the System. The other four Trustees are active members of the System and, through a long-standing practice, are three classroom teachers and one administrator.

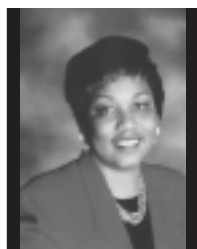
The Trustee terms coincide with the fiscal year. Terms begin on July 1. Annual elections are concluded by June 1. The Chief State School Officer is responsible for tabulating the votes in Trustee elections. Every active and retired member of the System is entitled to vote in each Trustee election.

KTRS Board of Trustee Candidates



LAY TRUSTEE CANDIDATE

Julian M. Carroll
Frankfort



LAY TRUSTEE CANDIDATE

Eleanor Jordan
Louisville



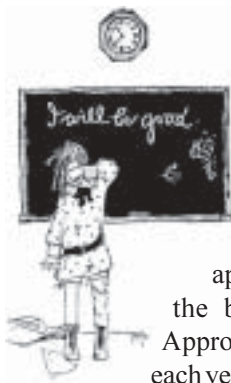
ACTIVE TEACHER TRUSTEE CANDIDATE

Ruth Ann Sweazy
Taylorsville



ACTIVE TEACHER TRUSTEE CANDIDATE

Terry Poindexter
Covington



Return-to-Work Options for New KTRS Retirees

As the end of the 2003 school year quickly approaches, the KTRS staff is preparing for the busiest part of the retirement season. Approximately 75% of the members who retire each year will do so during the months of June, July and August. **June 1, 2003 is the deadline for retirement applications** with an effective date of June 1, 2003, or July 1, 2003, and August 1, 2003, is the deadline for applications with an effective date of August 1, 2003. For most annuitants, retirement translates into an opportunity to expand new horizons, travel, relocate to a different community or simply stay home with loved ones. However, KTRS statistics indicate approximately 50% of the current year's retirees will return to covered employment in one of the return-to-work options. It is imperative that retirees understand fully all of their re-employment options. A summary of these options follows.

Individuals retired on or after August 1, 2002, may choose re-employment in a covered position in the long-standing traditional waiver program or the new (effective July 1, 2002) part-time or full-time programs as legislated by House Bill 637, which was approved in the Regular Session of the 2002 Kentucky General Assembly.

Part-time/substitute employment is defined as employment for less than seven-tenths of the contract days remaining in the position for which you are being employed. Remaining contract days are limited to the number of days in the remainder of a school or contract year. **Full-time employment** is defined as employment equal to or greater than seven-tenths of the contract days remaining in the position for which you are being re-employed for the remainder of that school or contract year. KTRS employers may employ KTRS retirees in full-time positions to the extent that the number of re-employed full-time retirees does not exceed 3% of the employer's active full-time non-retired KTRS employees.

Both the new part-time and full-time programs require KTRS retirees to experience a break-in-service from covered employment and also to be subject to a daily wage threshold (DWT). Excluded from the daily wage threshold are retirees employed in the new 1% critical shortage program that was recently approved in the 2003 General Assembly and which is described in the General Assembly article on page 1 of this newsletter. **All new retirees** who desire to return-to-work on a **part-time or substitute basis** must experience at least a **three month break** before returning to covered employment in a KTRS position. All new retirees who desire to return to **full-time employment** must experience a **minimum three month break in service** before returning to work with a **different employer** and must experience a break in service of **one year before returning to work full-time with the same employer**.

The daily wage threshold represents the maximum rate of pay a KTRS retiree may earn in a KTRS position without being subject to a reduction in their KTRS annuity. The DWT has been established by statute at 75% of the retiree's last daily rate of pay prior to their initial retirement date for those retirees who retired with thirty (30) or more years of service and at 65% for those retirees who retired with less than 30 years of service. During the past year the KTRS has calculated DWT's for over 4,000 retirees. Any KTRS member who has questions about their re-employment options should always contact KTRS prior to accepting employment in another position.

Important Information for Year 2003 Retirees

The following answers are provided to help with often-asked questions pertaining to retirement.

If I am planning to retire this year, what should I do in preparation?

There are certain steps that you should be aware of to ensure a successful retirement. Application forms must be requested from the KTRS office in Frankfort. It is called a Form 23 - Application for Service Retirement and is available only from the KTRS office. You will be required to submit copies of your Social Security card and birth certificate when you submit your retirement application. A copy of your marriage certificate is required if married. Also, if you select a payment option that provides a lifetime benefit to a surviving beneficiary, you will need to provide a copy of the beneficiary's birth certificate.

Does my employer need to complete any part of my retirement application?

YES. Sections VII and VIII need to be completed by your employer in order to finalize your retirement application. Please allow sufficient time for your employer to complete these sections.

What is the deadline to file for retirement?

*June and July retirement applications **must** be received in the KTRS office no later than **June 1, 2003**.*

When will I receive my first check?

To be eligible for the June effective date, retiring members must complete their employment contract and resign from their position by May 31st. A one-month service credit reduction will occur for June retirements. June 1st retirees will receive their first annuity payment by direct deposit on June 27th. July 1st retirees will receive their first annuity payment by direct deposit on July 29th. Please be reminded that as a result of 1998 legislation, all retirement payments must be sent by Electronic Funds Transfer (EFT). Section IV of the retirement application requires you to supply your financial institution information and attach your voided or cancelled check.

If I am retiring this year, when will my medical insurance become effective through KTRS?

Your medical insurance will be effective through KTRS on the 1st day of the month FOLLOWING the month your retirement is effective.

KENTUCKY TEACHERS' RETIREMENT SYSTEM MID-CAREER PLANNING WORKSHOPS

REGISTRATION
5:30 P.M. - 5:40 P.M. (Local Time)

SEMINAR
5:40 P.M. - 8:30 P.M. (Local Time)

June 5, 2003
Jenny Wiley SRP
Meeting Room #4
75 Theatre Court
Prestonsburg, KY

July 7, 2003
Cumberland Falls SRP
Multi-Purpose Building
7341 Highway 90
Corbin, KY

July 21, 2003
Pennyrile Forest SRP
E. G. Glover Facility
20781 Pennyrile Lodge Road
Dawson Springs, KY

KENTUCKY TEACHERS' RETIREMENT SYSTEM PRE-RETIREMENT SEMINARS

REGISTRATION
9:00 A.M. - 9:15 A.M.
(Local Time)

SEMINAR
9:15 A.M. - 1:00 P.M.
(Local Time)

You are invited to attend if you are minimum one year to five years maximum from retirement.

July 7, 2003
Rough River SRP
450 Lodge Road
Falls of Rough, KY

July 8, 2003
KY Dam Village SRP
Exit 27 off I-24
US 641 & US 62
Gilbertsville, KY

July 9, 2003
John James Audubon SP
3100 US HWY 41N
Henderson, KY

July 22, 2003
Carter Caves SRP
344 Caveland Drive
Olive Hill, KY

KTRS SEMINAR OR WORKSHOP PRE-REGISTRATION FORM

Pre-registration for all seminars is **NECESSARY** and offered on a first come, first served basis. Individual retirement estimates will **NOT** be available at these workshops/seminars. **Return this pre-registration form to KTRS or pre-register on-line at: www.ktrs.org.** This Pre-Registration is for

☐

Mid-Career
Workshop

☐

Pre-Retirement
Seminar

Name _____ Social Security Number _____ - _____ - _____

Address _____

City/State _____ ZIP Code _____

Name of Employer _____

Home Phone: (____) _____ Work Phone: (____) _____

Date of Workshop attending: _____ City of Workshop attending: _____

**** Guests are welcome if seating is available. Priority is given to KTRS Members****

*Please return completed registration form to: KTRS * 479 Versailles Road * Frankfort, KY 40601-3800*

Uniformed Services Employment and Reemployment Rights Act (USERRA)

The Uniformed Services Employment and Reemployment Rights Act (USERRA) is a federal statute that was enacted into law in 1994 as a result, in part, of Operation Desert Storm. USERRA provides certain reemployment rights for employees who are called away from their jobs into active military service. This federal act has retirement implications as well.

Generally, under USERRA members of KTRS who are called away from KTRS-covered jobs into active military service and then return to those jobs after their military service is concluded are to be treated for retirement purposes as though they never left. There are several conditions to this right, however, including the requirement that members must return to their KTRS-covered jobs within a specified period of time that will vary depending on how long they were away on service. Members must also make up member contributions for the period of time that they were away on service, but will have up to three times the length of service that they were away, not to exceed five years, by which to make these contributions. The employer is

responsible for the employer contribution and will be billed for all accrued interest as well. Contributions will be based upon the salary that members would have earned during the time that they were away.

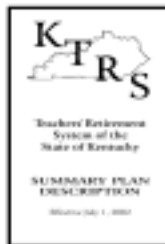
USERRA contains many provisions, not all of them retirement-related, which cannot be adequately addressed in this newsletter. Furthermore, USERRA provisions are subject to federal amendment and interpretation. Accordingly, you should contact the federal authorities charged with the administration of USERRA if you have any questions regarding its application to your individual circumstances. The National Committee for Employer Support of the Guard and Reserves ("ESGR") maintains a USERRA website at www.esgr.org or you may wish to contact the ESGR ombudsman who can be reached toll free at (800) 336-4590 for further detail. More complex issues will probably be referred by ESGR to the United States Department of Labor. Your commanding officer may also be able to provide you with some helpful information.

Timely Reminders to Deadlines for Purchasing 2002-03 Service Credit

Members who had unpaid contract days in the 2002/2003 fiscal year should contact KTRS about their eligibility to obtain full service and/or salary credit. **The deadline for purchasing this type of credit is December 31, 2003. ***

Members granted leaves of absence in 2002/2003 should contact KTRS about recovering this credit. **The deadline for this type of purchase is June 30, 2004. ***

** Appropriate forms can be obtained on the KTRS web site or from your employer.*



2002 Summary Plan Description is available at www.ktrs.org

The 2002 KTRS Summary Plan Description is currently available on the KTRS web site. Booklets were printed and mailed to members in March 2003.

Keep Your Address Current

All KTRS members are reminded that when they change addresses they should notify KTRS in writing in order to continue to receive their KTRS mail. Newsletters, Annual Statements, and Summary Plan Descriptions can only be mailed to members who maintain valid addresses with KTRS.

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